



# Petroleum Market Report

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Energy Information Administration  
Office of Oil & Gas

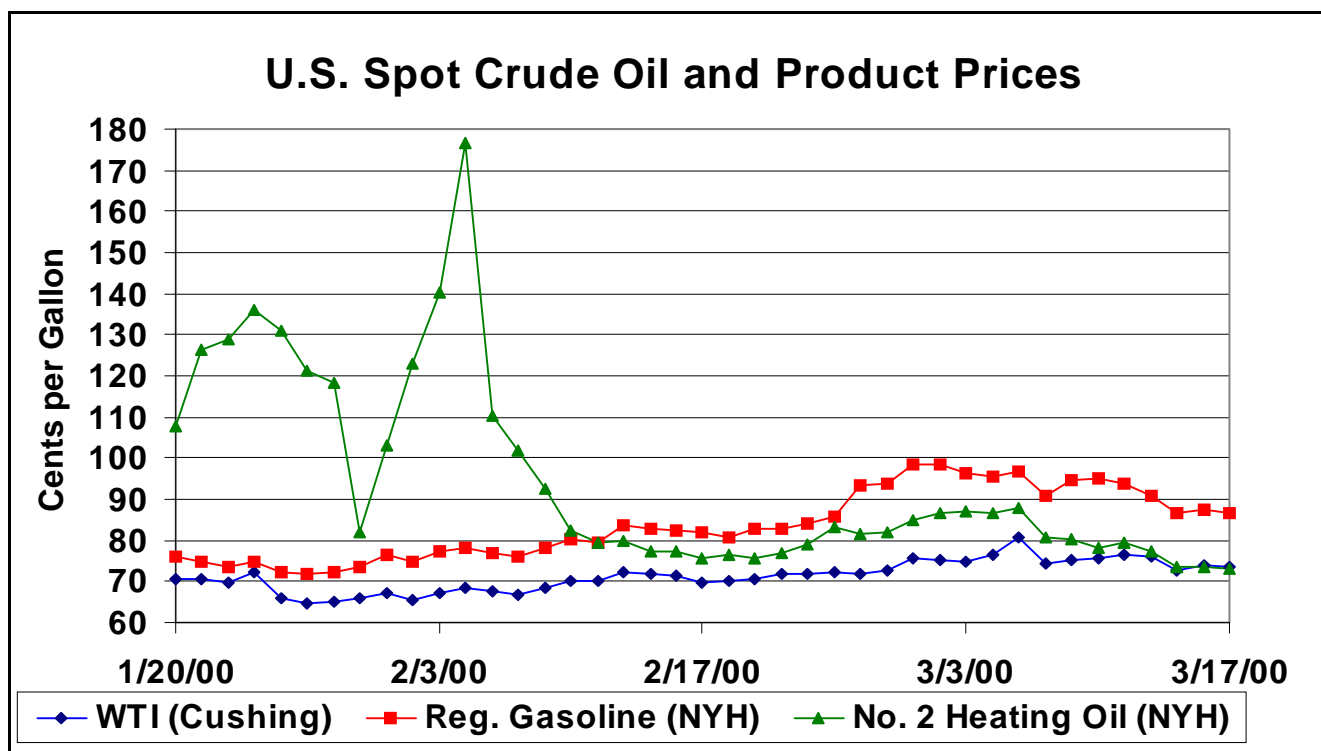
## MARKET SUMMARY

Petroleum prices on U.S. spot and futures markets posted solid declines last week, continuing to ease from early-March highs. Crude oil drifted lower amid ongoing speculation about expected production increases from OPEC and others as soon as the second quarter, with the March 27 OPEC meeting still the focus of traders and analysts. Gasoline prices saw the sharpest losses, outpacing crude oil declines as concerns over U.S. summer supplies appeared to be moderating slightly. The restarting of the Explorer products pipeline from the Gulf Coast to the Midwest allowed regional markets to return to more normal relationships.

**Crude oil** - price movements continued to be dominated by comments from OPEC member nations and others concerning proposed production increases, now expected to start in April. The size, timing, and duration of any increases remain the subject of speculation, with the U.S. and others calling for as much as 2 million barrels per day or more of extra production to bring world oil supply and demand back into balance. A wide array of possible price and volume targets, as well as different baselines from which to calculate any increase, provide for continued uncertainty up to the March 27 OPEC meeting.

**Gasoline** - fell sharply in all U.S. markets, with the strongest declines seen in California, where low stocks and refinery problems had amplified normal spring supply concerns. U.S. inventories fell seasonally for the week ending March 10, erasing half of the previous week's build. Refinery status generally improved, with units at various facilities returning from repairs or maintenance.

**Distillate** - prices eased, slightly outpacing crude oil, as mild weather helped to relieve any residual concerns over supply adequacy. Stocks were unchanged through March 10, returning within the seasonal average range.



## **CHRONOLOGY OF RECENT MARKET EVENTS**

- 3/17 - falling** - prices declined across the board in pre-weekend profit-taking, amid continued speculation about possible actions by OPEC at its March 27 meeting. A small reduction in Nigerian output, due to a pipeline leak, had little effect on markets.
- 3/16 - rising** - crude oil led product prices upward after two days of decline, despite a lack of significant new developments on the global supply outlook. The Explorer Pipeline restarted at 80 percent of capacity after a weeklong shutdown due to a leak in Texas.
- 3/15 - falling** - all prices moved sharply lower, on reports indicating a likely OPEC output increase on the high side of previous expectations. WTI spot and futures prices fell below \$31 per barrel, and New York Harbor gasoline under 90 cents per gallon, each for the first time in more than two weeks.
- 3/14 - falling** - spot and futures prices fell marketwide, amid reports that major OPEC producers were ready to increase output starting in April. Gasoline continued to show the largest declines, returning crack spreads to more typical seasonal levels.
- 3/13 - mixed** - price movements were varied in cautious trading, as markets awaited further signals from OPEC members. Crude oil and distillate prices moved moderately higher, while gasoline continued to ease from recently elevated levels.
- 3/10 - mixed** - crude oil and gasoline prices rose modestly in light trading, while distillates fell. Traders were cautious after sharp price swings earlier in the week, and amid widespread maneuvering underway among producers ahead of the pivotal March 27 OPEC meeting.
- 3/9 - mixed** - gasoline led most prices higher, on increasing concerns about summer supplies, exacerbated by a rumored cat cracker shutdown at a large Gulf Coast refinery. Crude oil shortcovering, after the previous day's sharp losses, was also cited.
- 3/8 - falling** - all prices fell, led by a nearly \$3-per-barrel decline in crude oil spot and futures markets. Reported agreement by Iran to increase production in April, resolution of a Nigerian strike, and large builds in U.S. crude oil and gasoline stocks were all significant factors.
- 3/7 - rising** - prices jumped strongly across the board, led by crude oil, with NYMEX WTI closing over \$34 per barrel for the first time since November 1990. Traders cited a run on available crude amid output disruptions in Nigeria and Norway, and uncertainty over coming OPEC actions.
- 3/6 - mixed** - crude oil and NYMEX product prices rose, taking WTI spot and futures to new 9-year highs, lifted by discord among OPEC members over production increases. Spot product prices eased, partly due to the restarting of a cat cracker at Hovensa's St. Croix refinery.
- 3/3 - mixed** - all but spot heating oil prices eased in pre-weekend profit-taking, amid increasing signals that major exporters will increase output soon. A short-lived strike by Venezuelan oil workers had little impact, but U.S. refinery problems continued to cause concern.